



SOLICITATION AMENDMENT

ARIZONA STATE RETIREMENT SYSTEM
3300 N. CENTRAL AVENUE
13TH FLOOR
PHOENIX, AZ 85012

Solicitation No. **RT09-003** Amendment No. **One (1)** Page **1** of **1**

Solicitation Due Date: **December 11, 2008, 3:00 PM, MST**, amended by this solicitation to **December 16, 2008, 3:00 PM, MST**.

Procurement Specialist:

Robert G. Wittsell, CPPO

OFFEROR IS REQUIRED TO SIGN AND RETURN THIS AMENDMENT BY THE SOLICITATION DUE DATE AND TIME.

**** NOTE** - All amendments in the RFP deleting language will be shown with a strike-through, and amendments adding language will be shown in green font.

DUE DATE has been amended to December 16, 2008, 3:00 PM, MST.

SECTION A

Below is the list of attendees of the preproposal conference, either in person or via teleconference:

Heather Brown	Aldus Equity
Chason Beggerow	Altius Associates Limited
Yokasta Baez	AXA Private Equity
Paul Tam	Bear Stearns, & Co., Inc., a J.P. Morgan Company
Leo Chenette	BlackRock Alternative Advisors
Simon Dwyer	BlackRock Alternative Advisors
Stephen F. Murphy	BlackRock Alternative Advisors
Chris Slinger	Capital Dynamics
Susan Dambekaln	Capital Innovations, LLC
Manish Chadha	Catalyst Corp Solutions
Jan Le Chang	Centinela Capital Partners
Phil Neidoff	Citigroup
Amy Richards	Citigroup
Elizabeth Hammond	Citigroup Alternatives Distribution Group
Jim Mestl	Citigroup Global Markets Inc./ Smith Barney
Jeff Wildin	Credit Suisse
Corey LoPrete	Credit Suisse Securities (USA) LLC
Brett Nelson	Ennis Knupp + Associates
Kristin Lauderback	Ennis Knupp + Associates
Vishal Baijal	EX3 Inc
Michael D'Agostiono	Fairview Securities, Inc. / Permal Capital
Sue Curran	Fidelity (Pyramis)
Anthony Limberis	Fisher Lynch Capital
Holly Landsittel	Fisher Lynch Capital

Christopher J. Genovese	Fortress Group, Inc
Karl Hartmann	Franklin Park
Kristine O'Connor	Franklin Park
Michael DiMartile	Hamilton Lane
Michael Bowman	Invesco
Bill Coulter	Knights Bridge Advisers
Raphael Paglia	LGT Capital Partners
Michael A. Souza	Meketa Investment Group, Inc.
Ursula Niederberger	Mercer
Silva Sevdalian	Morgan Stanley
Alfred Sharp	Muller & Moane
Christopher Frattaroli	Neuberger Investment Mgmt
Aram Chavez	Pacific Investment Partners
Kristie Goodman	Parish Capital
Ben Dillon	Partners Group
Ben Dillon	Partners Group
Michael C. Meoli	Pathway Capital Management
Dan Townsend	Paul Capital
Kara King	PCG Asset Management
Colin Stauffer	Portfolio Advisors, LLC
Eric Thunem	Portfolio Advisors, LLC
Jonathan A. English	Portfolio Advisors, LLC
Peter Fink	Private Advisors, LLC
Mark F McKeever	QED Financial Systems, Inc
Steve Cauble	Russell Investments
Matt Culler	Sun Mountain Capital
Scott Hamilton	Thomas Weisel
Amanda Ulczynski	Wilshire Private Markets Group
Dan Allen	Wilshire Private Markets Group
Bob Brinker	Wilshire Private Markets Group
Bob Gorman	Woodcreek Capital

Below find the information from the handout that was presented at the preproposal conference on Monday, November 10, 2008, which is being provided for your consideration for preparing your proposal.

SECTION B

HANDOUT AT PREPROPOSAL CONFERENCE

Separate Account – Discretionary Mandate

(For Use in Pre-Proposal Conference)

To be used only as a visual aid only.

1. Propose the Best-of-the-Best business activities that your firm engages in
2. Tell us Why you believe you are the best in #1 above.

3. Tell us What dollar allocation your firm is requesting over What period of time
4. Demonstrate the effectiveness of your firms specific investment decisions
5. Demonstrate and discuss your firm's ability to deliver the Deal Flow implicit in item #3 above.
6. Propose your best fee structure, and articulate How that fee structure both offers incentives to your firm and its personnel, and How it is aligned with the interest of ASRS.
7. Summarize your proposal in an Executive Brief (Précis) limited to four pages of text and or graphics (Font 12)
8. Quantification of your claims is critical.
9. Strategic (defined as long term investment in a Private Equity model) thinking as to the Industrial Sector/Sub sectors your firm has an expertise in should be succinctly articulated and demonstrated.
10. Matrixes' of Asset Classes, Vehicle choices, Geographic (Global, Regional, Hemispheric, or Domestic) investing according to your firms perceived business expertise is Offerors' choice.
11. Emerging Managers may be considered for investing.
12. Be creative and innovative but hold focus on your firm's discriminators and capabilities.
13. Consider that selected managers, if any, shall be responsible for: Deal Flow, preparation and negotiation of legal documents including applicable side letters and selection of MFN terms when available from the Partnership. All other post contractual administrative effort will be conducted by the ASRS out-sourced back office. In addition, performance reporting and benchmarking will be conducted by the ASRS's out-sourced back office however discretionary managers will be required the interface with the back office manager and remain available to make presentations to the ASRS Private Equity Committee, Investment Committee, or the Board of Trustees as applicable.
14. Discretionary managers shall act as Fiduciaries as defined under ERISA law, regulations, codes, and rules, and must make a certification statement in your proposal. By signing the proposal, the offeror is so certifying.

SECTION C

Listed below are the notes on the answered provided at the preproposal conference, to the questions that were emailed prior to the conference.

1. For the Separate Account Management, what is the size and time frame for the mandate?
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<i>It's up to you to propose whatever you think you are best at and most efficient at implementing.</i>

2. Is the focus on US investments and/ or more global?
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<i>Same response as above. We're looking for proposals in any asset class and any geography that you've developed an expertise in. We'll consider all of those in a strategic sense and where we want to go in the Private Equity program. Note when we just referred to asset class, we refer to private equity and not real estate. We were looking at sub-asset classes, such as mid, small, buyout, special situations such as clean tech.</i>
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3. We do not have separate accounts solely for private equity so they may not fit the Minimum Requirement for "same size and requirements" and "similar experience". We do have clients for whom we manage separate accounts that include both private equity and hedge funds. Would that disqualify us from further consideration?

<i>The combination of both types of funds in the same account would not disqualify you. We're not interested in hedge funds. Keep it to private equity and not private equity-like deals.</i>

4. Certain portions of the RFP were presented in a similar fashion to what we see when we are asked to respond to advisory or consulting mandates. Can you elaborate on the level of discretion the contractor will be given for the separate account management portion of the mandate when working with ASRS? For instance, will ASRS give the contractor discretion to develop an asset allocation framework (portfolio construction) and then manage the account within the parameters of that framework?

Yes, conceptually, when we look at a separate account manager, we expect that manager to be an extension of us, number one. Number two, it will be looked at in terms of here's what you say you want to do. We'll negotiate a benchmark and we'll manage to that benchmark and within that framework of specific activity you're being contracted for, if it's a broad based one that may include several asset classes, like buyout, special situations, infrastructure, we expect you to develop your strategy and construction under the mandate that you have. Another point, relating to direct or co-investments, we asked for veto right, a ten day window to talk to you to see if we want to proceed and depending on the dollar amount.

5. Will ASRS seek to approve each underlying investment? If not, will ASRS seek the power to veto investments and to what extent?

See above answer.

6. Would a global Market Neutral strategy be worthy of consideration?

We need more definition on what your concept of a global market neutral strategy is. (Subsequent answer is no.)

7. In the Scope of Work, there appears to be flexibility on the services to be provided. Is this in the Private Equity asset class only?

If it relates to Separate Account, the answer is yes. The back office has to do private equity, real estate, separate account and opportunistic administrative activity.

8. For Service B - Back Office Management. How much detail would ASRS expect for item 3-h in the Scope of work for "Statement of Net Assets"

That question probably came from page 60 of the RFP, and that example is used for all of our assets. You probably will not need as much detail on the private, just the totals and possibly if there are any receivables. We only need the Net Asset Value to balance to the Statement of Changes in Net Assets and we will need to see detail if there are any receivable)

9. What is the total dollar value of the investment mandate? Are there any estimates as to anticipated dollar allocations, or ranges, by vehicle structure and/or private equity classes/sub-classes? Specifically, is there an estimate available as to what percentage of the total available mandate might be available for co-investment programs?

To be determined.

10. Please elaborate on the format/structure of "Volume One" as detailed in Section 10.C.1. on page 17. Assume this is the section in the response to highlight the Offeror's specific proposal and unique qualifications related to the proposal vs. the Offeror Questionnaire, which is more generic in the types of questions posed.

We're looking for specifics.

11. Is there any special way you like to see the track record presented for a firm that is proposing co-investment management services and whose track record comprises globally diversified co-investment funds? The guidance provided by Appendix F appears more suited to capturing the performance of a portfolio of funds.

If you propose co-investing, we expect the rationale for the numbers you give.

12. For Offerors not submitting investment mandate proposals that include fund/partnership management services (e.g., proposal is for co-investment management services only), is the Offeror still required to respond to performance requests geared towards fund investments (e.g., the template in Appendix F) and questions in Attachment A that are specific to funds management (e.g. Under "Portfolio

Monitoring,” pg. 38, Questions 1, 2a, b, and c, among others)?
<i>Yes, anything that you see is applicable, you need to answer.</i>
13. “Sub-Contractors” – If the Back Office Administrator utilizes the services of a Sub-Contractor to perform certain services under this contract; what are the ASRS contractual requirements for the use of Sub-Contractors? For example, does their need to be a Tri-party agreement between ASRS, the Back Office Administrator and the Sub-Contractor?
<i>No tri-party agreement, but we need to approve your subcontractor. Anything we hold you to, you have to hold the sub to. The approval process may be simple but the proposal must be clear as to the demarcation of responsibilities between the two entities. It'd be beneficial to ASRS to have a single contact in terms of that relationship.</i>
14. Page 6 of 81; item B. 2) “The contractor shall perform legal/due diligence...” Please clarify what type of legal and due diligence the Back Office Administrator would be responsible to perform. This type of requirement is usually the responsibility of the party performing the investment management for the account. This requirement is exact duplicate under the Separate Account Management- Service A – under 1) c) (4).
<i>That is true, it is a duplicate intentionally put there because we don't know what organizational structure the respondents will propose, where they have the capabilities to do both the back office and the investment management service. The types of diligence we expect depending on your organizational structure as to where it's performed the back office, we can see some legal diligence being performed on amendments and if we refer someone to the back office where they have the capability to perform full diligence on a recommendation we make. That'd be in the case where the two are combined, back office and separate. The kind of diligence we'd expect out of a separate account manager would be the normal diligence they'd perform in recommending a deal to any one of their other clients. You'd go through the normal screening process of deal selection and we'd expect you to go through the negotiation, side letter negotiation, LPA. Once the award was made, it'd be transferred to the back office manager, who'd be an extension of us for administration.</i>
15. Page 7 of 81; item 4) a) - What type of “market overview” reporting do you expect from the Back Office Administrator?
<i>This overlaps with the traditional investment manager concept, but fundamentally we expect No. 1 a performance report to be done out of the back office but in terms of the actual market overview questions, we are looking for a macro, micro and a fiscal dissertation – an overview of what the economic market is. Those are the 3 critical characteristics that need to be discussed. Macro and micro economic means what is the private equity class doing right now or the real estate class and any insight on your feelings on fiscal policy which I think features issues which are probably going to be driven by issues of transparency and tax issues. A recommendation that is geared to the future direction of that asset class, real estate, private equity or opportunistic.</i>
16. Page 7 of 81; item 4) f) - Please clarify the requirement to provide investment performance on an aggregate level for item 5) “and on Portfolio Company level”.
<i>Richard: I think that ties to question 17 also. Bob: This is not back office here. I was just going to ask Rochelle if she has a comment. Question 15, 16 and 17 all relate to back office reporting. Richard: Do you want me to take a shot at 16 first? Basically, we want performance reporting in the private equity asset class as far down as you can go in terms of the relationship with the portfolio company. We like to keep track of our ownership in the portfolio company where that information that is available is part of the next question. So it's very simple. You have portfolio company data then , the general partnership data followed by fund or funds if involved, then you have that aggregated.</i>
17. Page 7 of 81; item 4) h) - Please clarify the requirement of “should track to the maximum degree

possible data on Portfolio companies". Will the contractor receive any underlying investment data on the current Portfolio Companies, such as security trades, number of units, cost, date purchased, etc? Will the Contractor be required to record the ASRS pro-rata share of the underlying data held in the Portfolio Companies?

The overall answer is yes, but we do recognize that there are certain limitations. And what we would like to see in your proposal? We expect you to aggregate data from the general partnership level and the degree to which the general partnership will permit portfolio company data, which generally - in my experience - I have seen on the capital call descriptions. We would expect you to go down that low. We try and track our portfolio companies by the sector that they perform in and our ownership through the GP in their portfolio companies. We are trying to put together a business model that allows good cash projections based on those percentages.

18. Attachment A Questionnaire – The "Management Team" subheading – Question 3: Are you asking for more information on the members of our IM team that have done direct investments into companies (as a member of a GP)? Would co-investments also be included as "direct investment" experience?

My answer to that is yes.

19. Attachment A Questionnaire - The "Investment Strategy" subheading – Question 4: This will be a discretionary separate account vs a fund. Are you looking for a baseline guidance of what allocation we would propose for geographies and strategies?

Yes, If you choose. But do so with clarity. Each manager will probably have a different strategy in the area he is proposing or a multidisciplinary strategy. So the answer is yes on both of those.

20. Attachment A Questionnaire - The "Investment Strategy" subheading – Question 11: You ask for the fee structure of the fund. This is going to be a separate account so the fees would be different than the traditional FoF fees and your RFP has specified a not to exceed price. Do you want our traditional FoF fees here or a repeat of what we provide in the "Pricing Schedule?"

The first answer is no – we have our traditional FOF fees. The second answer I realize under Investment Management Contracting. We will be negotiating a fee structure based on either an asset management type fee or an incentivized fee structure for management fee. I assume there will be some thought process as to the size of the assets under management that you are asking for. Or terminated by the other side. And as far as the back office is concerned, the fee may or may not be based on the unit price of the growing number of awards that were turned over to the back office for administration.

We started out with a very generic-looking pricing schedule. We want you to propose how your firm approaches pricing of each service. The reason we wanted some kind of not-to-exceed is simply that we want to control the fees. We want to make sure that we continue to get the same deal as we see it, as time goes by. Obviously if it is based on assets under management, fees will grow if the fund grows. You may send us additional questions up until the very end of the proposal preparation period and say how does this sound, does this pricing structure look acceptable? We can do some more discussion on this. We can also, as we evaluate proposals once they are in, we can change perhaps the pricing structure. It is by no means locked in to a not-to-exceed in terms of the total fees paid. But the concept of not-to-exceed is that you do not raise the price on us unless there are provisions for an increase in the contract.

21. Exhibits: - If we are submitting an RFP for a Separate Account mandate, is Exhibit F the only Exhibit that we need to provide information? It looks like most exhibits are for the Back Office RFP.

Technically that is correct. The answer is yes. But we still have to answer the questions in the other segments of the RFP as they would apply to that specific area that you are proposing on.

22. Volumes/Sequence:

On page 17 and 18 of the RFP you speak of Volumes and the Questionnaire. What is the actual sequence of material that you want for a Separate Account RFP?

Sequence:

1. Questionnaire – Attachment A
2. Section C - Volume One: A person submitting a Separate Account RFP would need to provide “a” of Volume One. I assume this is a document that we need to create on our own because it is not part of the Questionnaire – experience for mandate, AUM.... This would then be followed by Exhibit F.
3. Section C - Volume Two: Do we create this document on our own to discuss range of services and additional billable costs? Can this be included in the Scope of Work which is stated as Section D?
4. Section D – Scope of Work
5. Section E – Separate Account RFP does not submit anything
6. Section F – Asks for 4 business references which is actually part of the Questionnaire (Attachment A) and Attachment B
7. Section G – Organizational Chart
8. Section H – Resumes of Key Personnel
9. Section I – Job descriptions and qualifications for key personnel
10. Section J – Pricing Schedule
11. Section K – Offer and Acceptance
12. Section L – Solicitation Amendments: Did not see a “solicitation amendment” included
13. Section M – Copy of 2 years audited financials

Answering on the sequence of the different parts of the RFP. Basically I don't think I have a comment on that – how you structure your response for the structure of the RFP is fundamentally up to you. So if there are any specific questions on that, bear in mind we are asking you tell us what your best act which you could have. That is more or less what I am interested in. The structure of the response is, yes, there are a lot of sections that need to be answered and hopefully summarized in an executive summary which has the essence of your overall proposal and any structural details, follow the RFP guidance.

23. Is the ideal arrangement to have the same firm perform the private equity account management and the back office management services elements of the Program?

We don't look at what in terms is ideal because we can't legally tie these two services together because they can be performed independently. We will just look at all of the options, all of the proposals that are submitted to us and we will decide the best one to take.

24. How much capital is available for the Program?

It's a TBD and we have tried to articulate that in the beginning what the process is, what we are going through and we will hopefully have an answer to that at the beginning of next year in terms of the aggregate.

25. With regards to contract vehicles, can a combination of vehicles be proposed? (eg a fund of funds and a co-investment fund)

The only guidance that I would have there is to pick what is your choice. I am more concerned from a private equity point of view and in terms of the strategic direction as to where you are going and how your capabilities match up with that.

26. Is structuring a vehicle to focus on AZ opportunities more attractive than traditional programs of national scope?

The answer is no.'

27. The RFP states that ASRS is open to either one discretionary advisor or multiple advisors. Does ASRS have a preference for either of these alternatives (i.e. one advisor or multiple advisors)?

The whole concept of multiple advisors is that we are trying to understand the expertise in the universe out there and where you are best positioned and we will take a look at all of those responses from a strategic sense. I guess the answer is there is no preference.

SECTION D

Listed below are the notes on the questions asked by the attendees of the preproposal conference.

PREPROPOSAL CONFERENCE Question & Answer Session

Question: Between the back office services and separate account services, some account managers may be different or better at for example, geographically-focused for different investment styles. Do you have a priority of what you are looking for? Would you want to be first and how you would look at niche operators versus something local?

ASRS: *Conceptually, the back office is one of the prime drivers for us to develop efficiency and become effective and to ease the administrative function here. There will most likely be an award that we can tack on in terms of a discretionary manager for the purposes of, fundamentals and cost efficiency. There will be another package of several responses in a separate account area. What we'll do is review all of those accounts and determine strategically how we will proceed over the next five or ten years. We anticipate subsequent awards, however it has not yet been budgeted for. There is a priority to proceed with the back office award, and then proceed from there.*

Question: In part 3 you mentioned a period of time, where I understood that this is an annual contract that could be renewed multiple times. If that is the case, how does this relate to a 3-year time period?

ASRS: *The contract term is for one year with four possible renewal periods. However, the fund allocation may be spread over three years.*

ASRS Comment: *On page 8, section 6, "Options and Tax Services" regarding the back office, there needs to be some consideration for investments to comply with the terms and conditions in the LPA agreement and the side letters. For example, the UBTI reporting on the K1, which is normally completed by the General Partner, the back office would abrogate that particular data as part of the normal reporting structure, as it does for any of its other clients. The ASRS has specifics by letter requirements pertaining to this. The remaining optional tax items provide a general guideline, which firms typically manage with their general clients in terms of any impact that it may have on them. Generally, the ASRS is tax-exempt and we exercise our sovereign rights.*

ASRS Comment: *On page 33, the Pricing Schedule, under the not-to-exceed section, means that all things being equal, the prices will not be raised. Feel free to modify this form to fit how your firm does business, as we will accept a variety of different pricing structures.*

Amendment: The Pricing Schedule has been amended.

Amendment: Questionnaire, page 40, questions 5 and 6, regarding investment carrier cost, will be deleted from the solicitation and resulting contract.

ASRS Comment: *The subsequent attachments are forms to complete, which describe your firm's experience and other relationships. Attachment C - Narrative, is to present your firm's approach to the scope of work. Attachment D - Exceptions is to present all the exceptions that your firm takes to any part of the RFP, whether it is the scope of work or the legal terms and conditions.*

ASRS Comment: *The subsequent exhibits mostly contain information pertaining to how the ASRS currently*

performs the back office administration. For example, Exhibit A is an Initial Capital Call form that is currently used to present an audit trail on how capital calls are published. We are interested in firms reviewing our current forms and techniques, and offering improvements to the efficiency and effectiveness, by demonstrating how your firm manages this task for other clients.

Question: Would these forms need to be completed for both equity and real estate, although they just say that they are an example of equity.

ASRS: *The response for Private Equity and Real Estate may be combined when appropriate. Separate forms should be submitted when procedures for Private Equity and Real Estate are different.*

ASRS Comment: *Exhibit F, Track Record Presentation, would be used to list your firm's recommendations that you have made to your client base. We want to see an equal-weight rated assumption on that recommendation so that we can measure the performance of your individual investment decisions, and then have an aggregate presentation of how your portfolio has done overall. There is distinction between the first part and the second part of Exhibit F.*

Question: Exhibit F mentions the track record, history or five-year set of performance – whichever is shorter. If we go back to 1990, could we provide inception to date information as a supplemental piece of information, or are you only interested in the last five years?

ASRS: *Only the last five years is required, however if you want to present additional years as a supplement, that's fine, especially if the Management Team has been contiguous from that point in time. We are more interested in the near term on your decision processes and as you get into more unrealized areas, perhaps an adaptation on the philosophy that you are using to get to your projected exit point.*

ASRS Comment: *On Exhibit G, page 75, this will be definitized most likely during the process of negotiating with the selected awardee. The manager's diligence has changed slightly, however from the basis of selecting a contractor, defining your proposal for the back office, assume we're going to be at a start point at around 38 to 40 investment managers for private equity. There is also a list on the real estate side of how many would go towards the administrative effort. This list is also provided to give firms an idea of where we have placed our investments from a strategic point of view. Your firm should present your proposal in terms of what the ASRS has now and compared to what your firm is proposing to do, as your firm may be able to balance the strategic areas of your proposal better.*

Question: Is all of the historical data related to your investments available electronically? All of the cash flows, valuations, portfolio companies? Or would it be a manual process of entering all of that data?

ASRS: *Yes.*

Amendment: Exhibit I, Summary of Services, page 48, will be re-titled Attachment E, Summary of Services. This form is to be completed by offer. Section headings will be amended as follows:

- Responsible Party will be amended to read "Describe Transition Responsibilities of Each Party – ASRS or Contractor".
- Responsible Division will be amended to read "Responsible Person or Division w/in either ASRS or Contractor".
- Start Date will be amended to read "Days After Contract Award to Initiate Transition"
- End Date will be amended to read "Days After Initiation, Transition will be Completed".
- An additional section at the end of the form, to insert your firm's PERT, Gantt, or other chart to demonstrate your proposed transition schedule. Include all tasks listed on the form, adding any other

transition items as recommended by your firm.

ASRS Comment: Attachment E, (formerly Exhibit A), Summary of Services is to present the transition plan, which is to demonstrate your firm's plan of transition according to the scope of work. Clearly present your plan with consideration given to all elements of the existing investment base, who is responsible for what aspects of the transition, and within how many days after contract award that those transitions would be initiated and completed by. A section has been added at the end of the form, to insert a PERT or Gantt chart with your proposed transition plan; however include all tasks listed in any chart provided.

Question: Can you clarify what is meant on this form, by the start date and end date. Is this the start date of a transition and the date of when we would expect to complete the transition?

ASRS: The form for the Back Office Transition Plan has been amended for clarity.

Question: So what you need is the amount of days it will take for our firm to begin each aspect of the transition plan, and the amount of days after that, that it will be completed by, not for the activities that would be ongoing.

ASRS: Correct. The short term transition plan so we know what of our resources and skills that will be needed in order to put the system in place. The reporting system, the archival system, and then the details like what programs we will be using and what formats we want for the reports will come later.

Question: What is the source of the transition plan? Do we have access to all of the different items that are on this sheet? How do you know from where to migrate? Or do we propose the way we do it?

ASRS: This is currently performed in-house. Complete the worksheet presenting a clear proposal of how your firm would perform the transition, based upon your firm's experience and using the most efficient method possible.

ASRS Comment: The remainder of the RFP involves Instructions to Offerors, and TCerms and Conditions. On page 9, the Uniform Instructions to Offerors are issued by the State Attorney General's Office and the State Procurement Office and much of it is grounded in statute. These are the terms of what your firm must consider and comply with when you prepare and submit your proposal. There is not much that can be changed as far as negotiating these, because many are grounded in statute. The next section, page 13, are the Special Instructions to Offers. These are also requirements, some of which are based on statute and instructions from the Attorney General and State Procurement authority. These are a little more tailored to our proposal or our RFP, and are important to read through, as they provide information on how the proposals are going to be evaluated, what the evaluation criteria are, minimum requirements, and the offer and acceptance period which is on page 14. These contain all the other legal requirements also, so they should be read carefully, or have your legal counsel read them as well as the people completing the proposals. It's essential that you follow all of the instructions because a proposal can be rejected if the key requirements are not fulfilled.

Question: Regarding veto rights on co-investments - would we be able to work within some sort of pre-agreed number where that veto right would not be necessary?

ASRS: The ASRS has not made any co-investments yet, so provide in your proposal any process that your firm has used with your existing client base that is proven to be efficient.

ASRS Comment: Page 18, Uniform Terms and Conditions, these are legal requirements that are part of the contract after contract award. These terms and conditions are issued by the Attorney General's Office and State Procurement Office where many are based on statutes and can't be changed. If your firm takes exception

to anything in this section, it needs to be addressed on Attachment D, Exceptions. The Special Terms and Conditions on page 25, are legal requirements that are part of the contract after the contract has been awarded. There is a little more flexibility if changes are required in the Special Terms and Conditions. Any exceptions to this section of the solicitation need to be addressed on Attachment D, Exceptions page of this solicitation.

Question: What impact have para-market conditions had on the allocation or overall strategy of the program, and has the timing been impacted at all?

ASRS: We will have that answer within the next month or two.

Question: Would you consider making a commitment into an existing fund structure as opposed to just a straight, separate account?

ASRS: The intent is to go with a separate account structure.

Question: Are you still committing to funds? So in addition to proposal, this separate account would also include information on an existing fund per se?

ASRS: Outside the framework of this RFP, we are still considering stand alone primary fund investments.

Question: After the due date, what is the process and how long will it take before the contract is awarded?

ASRS: To allow for an adequate evaluation, the ASRS requires an offer in response to this solicitation to be valid and irrevocable for one hundred and eighty (180) days after the opening time and date, so the contract should be awarded within that timeframe.

SECTION E

The Solicitation referenced above is hereby amended as follows:

1. Page 2, Table of Contents, amended to remove Exhibit I, Back Office Transition Plan, and re-naming it to Attachment E, Back Office Transition Plan. Page numbers have also been amended accordingly.
2. Page 3, Certification item 6, pertaining to business operations in Iran or Sudan, the state statute number has been changed to 35-393.
3. Page 6 and 8 of the Scope of Work, field spaces have been added to take advantage of the option for submitting SOW changes as provided for on page 15, section 10.d.1. f-i. See amendment 5 below.
4. Page 14, section 10.C.1.a., strikes out "(SEE ATTACHED APPENDIX F "guidance")".
5. Page 15, section 10.D.1. the word "OR" and sections "f" through "i", have been added.

OR

- f. Copy the Scope of Work and paste it to the first form field on the Scope of Work page.
- g. Unlock the document (there is no password) so that font changes can be made in this field.
- h. Follow directions listed in b) through e) above.
- i. Lock document to continue using it as a form. NOTE – Some versions of word delete all fields that have been entered on the form, after it has been locked and then relocked. If this occurs, then complete the SOW section first before completing the remainder of RFP form.

6. Page 16, section 10.N., font size for proposal submittals has changed from 12 to 10.

7. Page 18, Special Instructions to Offerors, section added 22 – Travel and Travel Pricing:
All travel and travel related expenses if not included in the price, will be reimbursed in accordance with the published rates specified and in accordance with State of Arizona Travel Policy hereby incorporated herein, which can be located at <http://www.gao.state.az.us/travel>. Indicate in the appropriate space on the Price Sheet, any travel related expenses that will not be covered price.
8. Page 18, Special Instructions to Offerors, section added 23 - Price Increase:
The ASRS may review a fully documented request for a price increase only after the Contract has been in effect for two (2) years. The ASRS shall determine whether the requested price increase or an alternate option is in the best interest of the State. The price increase adjustment, if approved, will be effective upon the effective date of the Contract extension.
9. Page 33, Special Terms and Conditions, section added 25 – Travel:
All travel and travel related expenses if not included in the price, will be reimbursed in accordance with the published rates specified and in accordance with State of Arizona Travel Policy hereby incorporated herein, which can be located at <http://www.gao.state.az.us/travel>.

All other terms and conditions remain the same.

Offeror hereby acknowledges receipt of above amendment.

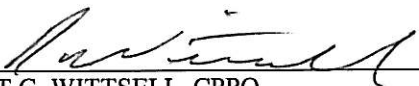
Signature

Date

Printed Name and Title

Name of Company

The above referenced Solicitation Amendment is hereby executed this 4th day of December, 2008, at Phoenix, Arizona.


ROBERT G. WITSELL, CPPO
PROCUREMENT MANAGER
(602) 240-2065